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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92060895
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In the matter of Trademark  
Registration No. 3619407  
Mark: BLUE MIST  
Filed: November 20, 2008  
Registered: May 12, 2009

Cancellation No. 92060895

Petitioner SIS Resources Ltd. (“Petitioner” or “SIS Resources”), by and through the undersigned counsel, files this Response in Opposition to Registrant Starbuzz Tobacco, Inc.’s (“Registrant” or “Starbuzz”) Motion to Dismiss Petition to Cancel, which Starbuzz filed on March 30, 2015 (“Motion to Dismiss” or “Motion”) and served by regular U.S. Mail. In its Motion, filed pursuant to Fed. R. Civ. P. 12(b)(6), Starbuzz seeks to dismiss with prejudice the only claim in the Petition for Cancellation (“Petition for Cancellation” or “Petition”), namely, cancellation for fraud. As discussed more fully below, SIS Resources has alleged facts sufficient to establish standing and valid grounds for its Petition for Cancellation of Starbuzz’s BLUE MIST Mark Registration No. 3619407 (“BLUE MIST Mark Registration” or “Registration”). Specifically, SIS Resources has stated a plausible claim for cancellation for fraud by alleging with particularity that Starbuzz filed its Section 15 declaration at a time when its BLUE MIST

Mark Registration had been pled as the basis for relief in a complaint for declaratory judgment of non-infringement and non-dilution. Thus, Starbuzz had affirmatively put its rights in the BLUE MIST Mark Registration at issue in a pending litigation at the same time that Starbuzz fraudulently filed its Section 15 declaration in which it declared otherwise. For purposes of deciding the Motion to Dismiss, these well-pleaded allegations are to be accepted as true. For Starbuzz to suggest that the U.S. Trademark Trial and Appeal Board (“Board” or “TTAB”) may simply disregard the Petition’s well-pleaded allegations, and decide the case on the merits now, runs afoul of the standards applicable to a motion to dismiss. Accordingly, the Board should deny Starbuzz’s Motion and all the requested relief therein.

**I. STANDARD FOR A MOTION TO DISMISS PURSUANT TO RULE 12(b)(6)**

Starbuzz asserts that SIS Resources’ Petition for Cancellation fails to state a claim upon which relief can be granted as “[t]he alleged statement was not false or fraudulent at the time because the civil action *Starbuzz Tobacco, Inc. v. Lorillard, Inc., et al.*, U.S. District Court for the Central District of California, Case No. 8:13-cv-00411, did not involve a challenge to Starbuzz’s use and registration of the BLUE MIST mark for tobacco products.” (Mot. at i.) First, this assertion by Starbuzz is incorrect because Starbuzz put its rights in the BLUE MIST Mark Registration squarely at issue in a declaratory relief action. At best, Starbuzz’s assertion raises a disputed factual issue about the scope of the Lorillard litigation, which cannot be resolved against Petitioner at the motion to dismiss stage. Starbuzz is improperly attempting to argue the merits of the Petition for Cancellation and to seek in effect a summary decision as to whether SIS Resources has in fact *proven* its Petition for Cancellation. Instead, the proper standard on a motion to dismiss is simply whether SIS Resources has *stated* a claim for relief that is plausible on its face. TBMP § 503.02.

A motion to dismiss for failure to state a claim should not be granted unless it appears certain that the plaintiff can prove no set of facts which would support its claim and would entitle it to relief. *See Young v. AGB Corp.*, 152 F.3d 1377, 47 U.S.P.Q. 2d 1752, 1754 (Fed. Cir. 1998); *Kelly Servs. Inc. v. Greene's Temporaries Inc.*, 25 U.S.P.Q. 2d 1460 (T.T.A.B. 1992). Moreover, the Board must accept as true all well-pleaded allegations of the Petition and must construe it in the light most favorable to SIS Resources. *See Ritchie v. Simpson*, 170 F.3d 1092, 1097-98, 50 U.S.P.Q. 2d 1023, 1027 (Fed. Cir. 1999); *Young*, 152 F.3d at 1377, 47 U.S.P.Q. 2d 1752.

As the Court stated in *Ashcroft v. Iqbal*, 556 U.S. 662, 129 S.Ct. 1937, 173 L. Ed. 2d 868 (2009), “[t]o survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’” *Id.* at 678, at 1949, 173 L. Ed. 2d at 884 (*quoting Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). “When there are well-pleaded factual allegations, a court should assume their veracity and then determine whether they plausibly give rise to an entitlement to relief.” *Iqbal*, 556 U.S. at 679, 129 S.Ct. at 1950, 173 L. Ed. 2d at 884. *See also Twombly*, 550 U.S. at 555 (“[f]actual allegations must be enough to raise a right to relief above the speculative level,” and a court must proceed, “on the assumption that all the allegations in the complaint are true (even if doubtful in fact)”). Here, SIS Resources has clearly alleged sufficient facts to establish standing and valid grounds for its Petition for Cancellation and stated a plausible claim for relief. The Petition alleges with the requisite particularity that Starbuzz fraudulently maintained its BLUE MIST Mark Registration by knowingly making false, material representations of fact in its Section 15 declaration with the intent to deceive the United States Patent and Trademark Office (“USPTO”). *See, e.g., Young*, 152 F.3d at 1379 (*quoting Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1026, 213

U.S.P.Q. 185, 187 (C.C.P.A. 1982)); Fed. R. Civ. P. 9(b). *See also Iqbal*, 556 U.S. at 686, 129 S.Ct. at 1954, 173 L. Ed. 2d at 876 (“It is true that [Fed. R. Civ. P.] 9(b) requires particularity when pleading ‘fraud or mistake,’ while allowing ‘[m]alice, intent, knowledge, and other conditions of a person’s mind [to] be alleged generally.’”).

Starbuzz’s Motion seeks to draw a bright line between tobacco products and electronic cigarettes in the prior litigation with Lorillard, when that line is anything but clearly drawn. However, Starbuzz’s denials and refutations of fact, which purport to set out a defense to SIS Resources’ Petition, are not pertinent to a proper Rule 12(b)(6) analysis. *See Advanced Cardiovascular Sys., Inc. v. SciMed Life Sys., Inc.*, 988 F.2d 1157, 1160, 26 U.S.P.Q. 2d 1038, 1041 (Fed. Cir. 1993) (Rule 12(b)(6) challenges the legal theory of the complaint not the sufficiency of the evidence that might be adduced).

The only question at this time is whether the Petition for Cancellation sets forth facts that, if proven, would entitle SIS Resources to the relief it is seeking. TBMP § 503.02. In order to properly state a claim in its Petition for Cancellation, SIS Resources must plead facts, taken as true, which are sufficient to show (1) that it has standing; and (2) a valid ground for cancellation of the BLUE MIST Mark Registration. *See, e.g., Young*, 152 F.3d at 1379 (*quoting Lipton Indus.*, 670 F.2d at 1026, 213 U.S.P.Q. at 187). *See also* TBMP § 503.02. The Petition for Cancellation plainly does both.

## **II. STANDING**

Section 14 of the Lanham Act, 15 U.S.C. § 1064, provides that a petition to cancel a registration may be filed, “by any person who believes that he is or will be damaged . . . by the registration of a mark on the principal register . . . .” “Section 14 has been interpreted as requiring a cancellation petitioner ‘to show (1) that it possesses standing to challenge the

continued presence on the register of the subject registration and (2) that there is a valid ground why the registrant is not entitled under law to maintain the registration.” *Young*, 152 F.3d at 1379 (*quoting Lipton Indus.*, 670 F.2d at 1026, 213 U.S.P.Q. at 187). “The standing requirement is based on the statutory requirement that a cancellation petitioner must believe that ‘he is or will be damaged by the registration’ and cases defining the scope of this language.” *Young*, 152 F.3d at 1379-80 (*quoting Lipton Indus.*, 670 F.2d at 1028-29, 213 U.S.P.Q. at 189 (citations omitted)). In addition to the requirements of Section 14, a petitioner “must meet two judicially-created requirements in order to have standing – the [petitioner] must have a ‘real interest’ in the proceedings and must have a ‘reasonable’ basis for his belief of damage.” *Ritchie*, 170 F.3d at 1095.<sup>1</sup>

Starbuzz filed a federal lawsuit against SIS Resources and Nu Mark LLC on February 4, 2015, in the Central District of California alleging claims for federal trademark infringement and false designation of origin, state unfair business practices, and common law trademark infringement and unfair competition, all based on Starbuzz’s purported rights in the alleged BLUE MIST Mark Registration No. 3619407 and another registration not relevant here. *See Starbuzz Tobacco, Inc. v. SIS Resources Ltd. and Nu Mark LLC*, C.D. Cal., Case No. 8:15-cv-00176 (the “Federal Action”). As the BLUE MIST Mark Registration which SIS Resources seeks to cancel in its Petition is the same federal registration on which Starbuzz relies to claim SIS Resources is liable for trademark infringement in the Federal Action, SIS Resources has a real interest in this Cancellation Proceeding. Further, it is self-evident that SIS Resources

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<sup>1</sup> “[D]ue to the linguistic and functional similarities between the opposition and cancellation provisions, respectively §§ 13 and 14 of the Lanham Act, [the Court of Appeals for the Federal Circuit] construe[s] the requirements of those two sections of the Lanham Act consistently.” *Ritchie*, 170 F.3d at 1095 n.2 (*citing Young*, 152 F.3d at 1380; *Lipton Indus.*, 670 F.2d at 1028, 213 U.S.P.Q. at 189).

believes it will be damaged by the continued registration of the BLUE MIST Mark Registration No. 3619407, and, thus, SIS Resources has a reasonable belief of damage in the event this Registration is not cancelled. For all of these reasons, then, SIS Resources has standing to assert its Petition for Cancellation, and Starbuzz concedes as much as it did not challenge standing in its Motion.

### **III. GROUNDS FOR CANCELLATION**

A petition to cancel a registration is appropriate “[a]t any time if . . . registration was obtained fraudulently . . . .” 15 U.S.C. § 1064(3). A registrant may file a Section 15 declaration to claim that a mark registered on the Principal Register is incontestable once the mark has been in continuous use in commerce for a period of five years after the date of registration, and the mark is still in use in commerce. 15 U.S.C. § 1065. When filing this declaration, a registrant must aver that there is “no proceeding involving said rights pending in the United States Patent and Trademark Office or in a court and not finally disposed of.” 15 U.S.C. § 1065(2); 37 C.F.R. §§ 2.167(d) and (e); *see also* TMEP § 1605.04.

“Fraud in obtaining or maintaining a trademark registration ‘occurs when an applicant [or later, registrant] knowingly makes false, material representations of fact in connection with his application,’ or in connection with a Section 8 and/or 15 declaration or in connection with an application for renewal.” *Mister Leonard, Inc. v. Jacques Leonard Couture, Inc.*, 23 U.S.P.Q. 2d 1064 (T.T.A.B. 1992) (citing *Torres v. Cantine Torresella S.R.L.*, 808 F.2d 46, 1 U.S.P.Q. 2d 1483, 1484 (Fed. Cir. 1986)). Fraud made in affidavits under sections 8 and 15, to continue a registration and obtain incontestability, also constitute fraud in “obtaining” a registration sufficient for cancellation. *See, e.g.*, 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 31:80 (4th ed. 2014), and cases cited therein. Specifically, “filing a

fraudulent incontestability affidavit provides a basis for canceling the registration itself.” *Robi v. Five Platters, Inc.*, 918 F.2d 1439, 1444 (9th Cir. 1990) (citing *Crown Wallcovering Corp. v. Wall Paper Mfrs. Ltd.*, 188 U.S.P.Q. 141, 143-44 (T.T.A.B. 1975)); *Sunrise Jewelry Mfg. Corp. v. Fred S.A.*, 175 F.3d 1322, 1327 (Fed. Cir. 1999) (indicating that the filing of a fraudulent Section 15 affidavit could warrant cancellation of the trademark); *Mister Leonard*, 23 U.S.P.Q. 2d at 1064 (finding that fraud can occur with material misrepresentations in connection with a Section 15 Declaration of Incontestability); *Volkswagenwerk Aktiengesellschaft v. Advance Welding and MFG. Corp.*, 184 U.S.P.Q. 367 (T.T.A.B. 1974) (holding that “fraud in the execution of affidavits or other documents attendant upon the maintaining of a registration rather than the securance thereof constitutes a ground for the cancelation thereof . . .”).

Here, Starbuzz fraudulently filed a Section 15 Declaration of Incontestability in connection with its BLUE MIST Mark Registration on May 23, 2014, while it was engaged in federal litigation in which its rights in that mark were directly at issue. A Section 15 declarant “must state that there has been no final decision adverse to the owner’s claim of ownership of the mark for the goods or services, or to the owner’s right to register the mark or to keep the mark on the register. ***It must also state that there is no proceeding involving these rights pending in the USPTO or in a court and not finally disposed of.***” TMEP § 1605.04 (citing 15 U.S.C. §§ 1065(1)-(3); 37 C.F.R. §§ 2.167(d) and (e)) (emphasis added). Specifically, Starbuzz made its Section 15 declaration under penalty of perjury while it was actively engaged in federal litigation involving its rights in the BLUE MIST Mark, in direct contravention of 15 U.S.C. § 1065. Moreover, the lawyer who filed the fraudulent Section 15 declaration, Martin Jerisat, was also actively engaged in the federal litigation, and thus clearly knew that Starbuzz’s rights in the BLUE MIST Mark Registration were being challenged there. As further detailed below, these



facts are sufficiently pled in the Petition and establish the particular details of the alleged fraud committed by Starbuzz.

**IV. STARBUZZ FRAUDULENTLY FILED ITS SECTION 15 DECLARATION OF INCONTESTABILITY FOR THE BLUE MIST MARK REGISTRATION NO. 3619407.**

**A. Facts**

Starbuzz's Registration should be cancelled under Section 14 of the Lanham Act, 15 U.S.C. 1064(3), because the federal registration for the BLUE MIST Mark was obtained and maintained fraudulently. (Petition ¶¶ 8 & 25.) At the time Starbuzz filed its Combined Declaration of Use and Incontestability under Sections 8 & 15 on May 23, 2014, the BLUE MIST Mark was at issue in a pending federal court action for declaratory relief filed by Starbuzz and subject to counterclaims of trademark infringement and unfair competition. (*Id.* ¶¶ 9 & 28.)

Specifically, on March 8, 2013, Starbuzz filed a complaint for declaratory judgment of non-infringement of trademarks and non-dilution of trademarks against Lorillard, Inc. and Lorillard Technologies, Inc. regarding Starbuzz's BLUE MIST Mark in the United States District Court for the Central District of California, Case No. 8:13-cv-00411 (the "LOEC Federal Action"). (Petition ¶ 10.) Starbuzz then filed a First Amended Complaint substituting LOEC, Inc. as defendant on October 9, 2013 ("FAC"). (Petition ¶ 11 & Exh. D (FAC).) In its FAC, Starbuzz defined the "BLUE MIST Mark" at issue to be the one covered by BLUE MIST Mark Registration No. 3619407 (FAC ¶ 15 & Exh. A). (Petition ¶ 11 & Exh. D.) Starbuzz sought a declaration that its BLUE MIST Mark, as used by Starbuzz in connection with tobacco products and electronic cigarettes, has priority over LOEC's BLU Marks for electronic cigarettes, and that Starbuzz's BLUE MIST Mark is not confusingly similar to LOEC's BLU Marks (FAC Prayer

for Relief ¶¶ 1-2). (Petition ¶ 11 & Exh. D.) Specifically, Starbuzz placed its rights in the BLUE MIST Mark at issue by alleging:

- “At all times relevant herein, Starbuzz has been, and still is, the owner of the exclusive rights, title, and interest in the BLUE MIST Mark for tobacco and related products.” (FAC ¶ 17.)
- “Starbuzz is informed and believes, and on that basis alleges, that **the date of first use of the BLUE MIST Mark in commerce predates the date of first use of the BLU Marks in commerce. Therefore, Starbuzz’s rights to use BLUE MIST on tobacco and related products have priority over any rights claimed by Defendants in their BLU Marks.**” (FAC ¶ 40) (emphasis added.)
- “Because no likelihood of confusion exists between ‘BLUE MIST’ and the BLU Marks, Starbuzz has not infringed upon the BLU Marks.” (FAC ¶ 50.)
- “**Based upon the cease and desist letters, and since Starbuzz is making bona fide use of the ‘BLUE MIST’ mark in connection with its tobacco and electronic cigarette products, there is an actual controversy as to whether Plaintiff’s use of the ‘BLUE MIST’ mark infringes upon and dilutes Defendant’s BLU Marks.**” (FAC ¶ 61) (emphasis added.)
- “**By this Complaint, Starbuzz seeks declaratory relief from this Court to clarify its rights to the ‘BLUE MIST’ mark and Defendant’s rights in the BLU Marks.**” (FAC ¶ 62) (emphasis added.)

(Petition ¶ 11 & Exh. D (emphasis added).) As shown in the allegations, Starbuzz relied on its BLUE MIST Mark Registration as the basis for its declaratory relief action. Starbuzz put its rights in the BLUE MIST Mark Registration squarely at issue in the LOEC Federal Action.

Further, the dispute that led to Starbuzz filing the declaratory relief action was centered on and around Starbuzz’s BLUE MIST Mark Registration. Specifically, Starbuzz filed the declaratory relief action in the LOEC Federal Action in response to a cease and desist letter from Lorillard, dated February 4, 2013, in which “**Lorillard on behalf of Defendant claimed ownership of the BLU Marks and demanded that Starbuzz cease and desist from all use of**

**‘BLUE MIST’, file an express abandonment of the Application, and enter into a settlement agreement with Defendant to resolve the matter.”** (Petition ¶ 12 & Exh. D (FAC ¶ 55) (emphasis added).) In that same letter, “Lorillard, on behalf of Defendant, further accused Starbuzz of trademark infringement and dilution of the BLU Marks.” (Petition ¶ 12 & Exh. D (FAC ¶ 56).) Starbuzz responded to the February 4 letter on February 15, 2013, “claiming that there is no likelihood of confusion between the parties’ respective marks.” (Petition ¶ 12 & Exh. D (FAC ¶ 58).) In that letter, Starbuzz stated: **“For the reasons that follow, we believe that there is no likelihood of confusion between Starbuzz’s BLUE MIST mark for tobacco products (Reg. No. 3619407) (the ‘BLUE MIST Mark’) and Lorillard’s ‘BLU’ family of marks (the ‘BLU Marks’).”** (Petition ¶ 12 & Exh. E (Ans. to FAC & Counterclaims in the LOEC Federal Action (*see* Exh. H to same)) (emphasis added).) Thus, from the outset, the BLUE MIST Mark Registration was at the heart of Starbuzz’s dispute with Lorillard and LOEC.

On January 13, 2014, LOEC filed its Answer to the FAC and Counterclaims in the LOEC Federal Action, alleging in its Answer, among other things:

- “In response to the allegations of paragraph 40 of the FAC, **LOEC denies that Starbuzz’s rights, if any, to use ‘BLUE MIST’ on tobacco and related products have priority over LOEC’s rights in the BLU Marks in connection with electronic cigarettes and related products.”** (Ans. to FAC ¶ 40) (emphasis added.)
- “In response to the allegations of paragraph 61 of the FAC, **LOEC admits that there is a current actual case or controversy regarding whether Plaintiff’s use of the ‘BLUE MIST’ mark infringes upon Defendant’s BLU Marks.”** (Ans. to FAC ¶ 61) (emphasis added.)
- “In response to the allegations of paragraph 62 of the FAC, **LOEC admits that Starbuzz has filed an action for declaratory relief to clarify its rights to the ‘BLUE MIST’ mark and LOEC’s rights in the BLU Marks. LOEC denies that Starbuzz is entitled to any relief.”** (Ans. to FAC ¶ 62) (emphasis added.)

- “In response to the allegations of paragraph 68 of the FAC, LOEC admits that Starbuzz asserts that there is no likelihood of confusion between ‘BLUE MIST’ and the BLU Marks.” (Ans. to FAC ¶ 68.)

(Petition ¶ 13 & Exh. E (emphasis added).) Starbuzz and LOEC were clearly litigating their rights to use and registration of the BLUE MIST and BLU Marks, and Starbuzz’s rights in the BLUE MIST Mark Registration were squarely at issue.

Furthermore, in its three Counterclaims for federal unfair competition under 15 U.S.C. § 1125(a), California common law trademark infringement, and California unfair competition, LOEC similarly defined the “BLUE MIST Mark” in issue as the one covered by the BLUE MIST Mark Registration (Petition ¶ 14 & Exh. E (Counterclaims ¶ 8)), as Starbuzz had done in the FAC. (Petition ¶ 14.) Among other things, LOEC sought a judgment from the Court:

- “Dismissing all claims in Starbuzz’s First Amended Complaint with prejudice, finding that **Starbuzz is not entitled to any of its requested relief, or any relief whatsoever, and denying with prejudice all relief requested by Starbuzz.**” (Counterclaims Prayer for Relief ¶ 1).
- “Adjudging that Starbuzz . . . be enjoined and restrained at first during the pendency of this action and thereafter permanently from: a. Manufacturing, producing, sourcing, importing, selling, offering for sale, distributing, advertising, or promoting any goods that display any words or symbols that so resemble the BLU Family of Marks as to be likely to cause confusion, mistake or deception, on or in connection with any product that is not authorized by or for LOEC; b. **Using any word, term, symbol, device or combination thereof that causes or is likely to cause confusion, mistake or deception as to the affiliation or association of Starbuzz or its products with LOEC, or as to the origin of Starbuzz’s goods, or any false designation of origin, false or misleading description or representation of fact;** c. Further infringing the rights of LOEC in and to the BLU Family of Marks or otherwise damaging LOEC’s goodwill or business reputation; d. Otherwise competing unfairly with LOEC in any manner . . . .” (Counterclaims Prayer for Relief ¶ 3).
- “Adjudging that Starbuzz . . . be enjoined and restrained from applying to register any trademark applications with the USPTO

that are likely to infringe on the BLU Family of Marks.”  
(Counterclaims Prayer for Relief ¶ 9)

(Petition ¶ 14 & Exh. E (emphasis added).)

On February 3, 2014, Starbuzz filed its Answer to the Counterclaims in the LOEC Federal Action, raising the following Affirmative Defenses:

- “LOEC’s claims are barred, in whole or in part, by Starbuzz’s prior use and/or registration of the BLUE MIST, MELON BLUE, and BLUE SURFER marks.” (Ans. to Counterclaims Eighth Aff. Defense Prior Use/Registration).
- “LOEC’s trademark infringement claims fail since Starbuzz used its BLUE MIST and MELON BLUE marks in commerce before LOEC and its predecessor(s) in interest began using the BLU Marks in commerce. In addition, Starbuzz is informed and believes, and thereon alleges, that LOEC’s BLU Marks are descriptive and did not acquire distinctiveness, if any, until after Starbuzz began use of its BLUE MIST, MELON BLUE, and BLUE SURFER marks for tobacco products.” (Ans. to Counterclaims Twelfth Aff. Defense Priority and Non-Infringement of Trademark).

(Petition ¶ 15 & Exh. F (Ans. to Counterclaims in the LOEC Federal Action).) Starbuzz again involved the BLUE MIST Mark Registration in its defense of the counterclaims just as it had in the FAC for declaratory relief.

Thereafter, while the LOEC Federal Action was still pending, Starbuzz filed a Combined Declaration of Use and Incontestability under Sections 8 & 15 on May 23, 2014 in connection with the BLUE MIST Mark Registration No. 3619407 (“Incontestability Declaration”), declaring: “There has been no final decision adverse to the owner’s claim of ownership of such mark for such goods/services, or to the owner’s right to register the same or to keep the same on the register; and there is no proceeding involving said rights pending and not disposed of either in the United States Patent and Trademark Office or in a court.” (Petition ¶ 16 & Exh. G

(Combined Declaration of Use and Incontestability under Sections 8 & 15 filed in connection with the Registration).)

Mr. Jerisat signed the Section 15 declaration as in-house counsel for Starbuzz under penalty of perjury; specifically:

The signatory being warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001, and that such willful false statements and the like may jeopardize the validity of this submission, declares that all statements made of his/her own knowledge are true and all statements made on information and belief are believed to be true.

(Petition ¶ 17 & Exh. G.)

At the time Mr. Jerisat signed the Section 15 declaration for the BLUE MIST Mark Registration, he was an attorney for Starbuzz in the LOEC Federal Action, having filed a Notice of Appearance on November 4, 2013. (Petition ¶ 18 & Exh. H (Notice of Appearance filed in the LOEC Federal Action).) Thus, Mr. Jerisat clearly knew there was a proceeding involving rights in the BLUE MIST Mark Registration pending and not disposed of in a court. (Petition ¶ 18.)

On June 10, 2014, the USPTO acknowledged the Section 15 declaration filed in connection with the BLUE MIST Mark Registration. (Petition ¶ 19 & Exh. I (Notice of Acknowledgment under Section 15 issued in connection with the Registration).) Once a registration has become incontestable under Section 15 of the Lanham Act, 15 U.S.C. § 1065, “the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant’s ownership of the mark, and of the registrant’s exclusive right to use the registered mark in commerce.” 15 U.S.C. § 1115(b). “Such conclusive evidence of the right to use the registered mark shall be subject to . . . the following defenses or

defects: (1) That the registration or the incontestable right to use the mark was obtained fraudulently . . . .” *Id.* (See also Petition ¶ 22.)

Furthermore, at the time the Section 15 declaration was signed and filed, eight Notices of Suits were lodged in connection with the BLUE MIST Mark Registration reflecting unique cases filed by Starbuzz, five of which were still pending, including the LOEC Federal Action. (Petition ¶ 21 & Exh. A (TSDR & TESS print-outs for the BLUE MIST Mark U.S. Trademark Registration No. 3619407).) After the USPTO acknowledged the Section 15 declaration, three more Notices of Suit were lodged in connection with this Registration reflecting new cases filed by Starbuzz. (Petition ¶ 21.) Upon information and belief, Starbuzz is a litigious party that committed fraud on the USPTO to procure a false Section 15 Declaration of Incontestability that would afford and did afford Starbuzz benefits and presumptions under 15 U.S.C. § 1115, to which Starbuzz was not otherwise entitled, to assert against third-parties in litigation. (*Id.*)

## **B. Analysis**

The facts recited above, all of which are well-pleaded in the Petition, plainly state a claim for cancellation on grounds of fraud. Starbuzz was the plaintiff in a declaratory relief action and counter-defendant in an infringement action at the same time Mr. Jerisat filed Starbuzz’s Incontestability Declaration declaring that its rights in the BLUE MIST Mark Registration were not being contested in any such proceeding. Courts have found that declaratory relief claims for non-infringement and counterclaims for infringement constitute a “proceeding involving said rights” under 15 U.S.C. 1065(2). For example, in *Constellation Brands, Inc. v. Arbor Hill Assocs., Inc.*, 535 F. Supp. 2d 347, 353-55, 361 (W.D.N.Y. 2008), the Court denied plaintiff’s motion for summary judgment on defendant’s counterclaim to cancel plaintiff’s registration when plaintiff’s counsel had filed its Section 15 declaration during the suit between the parties.

In *Constellation*, the plaintiff had sued for a declaratory judgment that there was no likelihood of confusion between the parties' marks, or in the alternative, if the Court found that a likelihood of confusion existed, that the defendant's mark infringed the plaintiff's mark. Defendant asserted counterclaims for trademark infringement, unfair competition, and false advertising under the Lanham Act and state law. Here, as in *Constellation*, the LOEC Federal Action contesting Starbuzz's rights in its BLUE MIST Mark Registration (specifically, a declaratory judgment action including counterclaims for infringement) was pending when Starbuzz filed its Incontestability Declaration.

While the "[t]he USPTO does not consider a proceeding involving the mark in which the owner is the plaintiff, and there is no counterclaim involving the owner's rights in the mark, to be a 'proceeding involving these rights' that would preclude the filing or acknowledgment of a § 15 affidavit," here, like the plaintiff in *Constellation*, Starbuzz was in the position of plaintiff in an action for declaratory relief. TMEP § 1605.04. Courts have found that actions for declaratory judgment for non-infringement are the reverse of an infringement claim since they are typically brought defensively to avoid suit for infringement, as was the case when Starbuzz filed its declaratory judgment action after responding to Lorillard's demand letter. *Plumbtree Software, Inc. v. Datamize, LLC*, No. C 02-5693 VRW, 2003 WL 25841157, at \*3, 6 (N.D. Cal. Oct. 6, 2003) (granting motion to realign plaintiff who filed a declaratory relief claim for non-infringement as the plaintiff, and defendant who filed an infringement action as the plaintiff, since claims of non-infringement are typically defenses and the claim for infringement is the case-in-chief); *Levi Strauss & Co. v. Abercrombie & Fitch*, 548 F. Supp. 2d 811, 814 (N.D. Cal. 2008) (denying motion to dismiss Abercrombie & Fitch's counterclaim for cancellation of Levi Strauss & Co.'s registration where Levi Strauss & Co. had filed a Section 15 declaration at a



time when it was a defendant in a declaratory relief action for non-infringement in a third-party lawsuit, and even though the plaintiff in that third-party lawsuit had not sought to affirmatively cancel Levi Strauss & Co.'s registration at issue). Accordingly, having filed a declaratory judgment action, Starbuzz was in the position of defendant to an infringement action and, moreover, was counter-sued for infringement; thus, Starbuzz could not file its Incontestability Declaration.

As set out in detail in SIS Resources' Petition for Cancellation and herein, in procuring and maintaining the BLUE MIST Mark Registration No. 3619407, Starbuzz made false, material representations of fact which it knew were false. (Petition ¶¶ 23, 30, & 31.) Moreover, upon information and belief, Starbuzz's deliberate misrepresentation was made for the purpose of deceiving and with the willful intent to deceive the USPTO into acknowledging the Section 15 Incontestability Declaration for U.S. Trademark Registration No. 3619407. (*Id.* ¶¶ 21, 23, & 32.) As set out above, Starbuzz is highly litigious when it comes to its BLUE MIST Mark (*see* Petition ¶ 21 & Exh. A), and an incontestable registration would afford and did afford Starbuzz's benefits and presumptions to which it was not otherwise entitled. *See Crown Wallcovering Corp. v. The Wall Paper Mfrs. Ltd.*, 188 U.S.P.Q. 141 (T.T.A.B. 1975) (" . . . it is clear that the filing of a fraudulent Section 15 affidavit would enable a registrant to obtain a new right, namely, incontestability, to which he would not otherwise be entitled; *i.e.*, to obtain the right to have his registration accepted as conclusive evidence, rather than merely *prima facie* evidence, of registrant's exclusive right to use the registered mark in commerce. Under such circumstances, it is adjudged that the filing of a fraudulent Section 15 affidavit constitutes a ground for cancellation of the involved registration within the purview of Section 14(c)."). As a result, the BLUE MIST Mark Registration should be cancelled by the Board.

Further, prior to filing this Motion to Dismiss, Starbuzz had filed a Motion to Consolidate and Suspend Proceedings on March 23, 2015 in this Proceeding. Therefore, Starbuzz had already appeared in this Proceeding with its Motion to Consolidate and Suspend Proceedings and thereby waived any defenses it could have asserted by failing to do so in its initial filing.

## **V. CONCLUSION**

Accepting as true all well-pleaded and material allegations of the Petition for Cancellation, SIS Resources has sufficiently pled a plausible claim for cancellation of the BLUE MIST Mark Registration No. 3619407 on grounds of fraud. Starbuzz may not obtain dismissal at this early stage of the proceedings by attempting to manufacture a factual dispute. Accordingly, SIS Resources respectfully requests that the Court deny Starbuzz's Motion to Dismiss SIS Resources' Petition for Cancellation.

Dated: April 20, 2015

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing **PETITIONER'S RESPONSE IN  
OPPOSITION TO REGISTRANT'S MOTION TO DISMISS PETITION TO CANCEL**  
was served via First Class U.S. Mail, postage prepaid, and properly addressed to:

Starbuzz Tobacco, Inc.  
10871 Forbes Ave  
Garden Grove, California 92843

Natu J. Patel  
The Patel Law Firm, P.C.  
22952 Mill Creek Drive  
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this 20th day of April, 2015.

/s/ John M. Nading  
\_\_\_\_\_  
John M. Nading  
*Attorney for Petitioner*